This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 11 RANGOON 000910

SIPDIS

STATE FOR EAP/BCLTV, EB/IFD/OIA
STATE PASS USTR
COMMERCE FOR ITA JEAN KELLY
TREASURY FOR OASIA JEFF NEIL
USPACOM FOR FPA

E.O. 12958: N/A
TAGS: EINV KTDB BM OPIC
SUBJECT: BURMA'S INVESTMENT CLIMATE STATEMENT

¶1. Table of Contents:

¶2. Summary: New U.S. investment in Burma has been illegal since 1997. New sanctions imposed in 2003 ban imports of Burmese products into the United States and forbid all financial transactions between a U.S. person and Burma. Burma is a country blessed with extensive natural resources, low labor costs, and a great potential for tourism. It is also a member of ASEAN. However, even if U.S. sanctions were removed, an extraordinarily hostile investment climate would hold U.S. investment as it has held all other investment to a very low level.

Though local investment laws are liberal on the surface, their implementation is racked, at all levels, with corruption. The ruling military junta, the State Peace and Development Council (SPDC), despite pledging itself to an "open door" economic policy and urging foreign firms to invest, regularly comes out with punitive and capricious regulations, which make investment for foreigners difficult if not impossible.

Our view of the current investment climate is very dim. We have not seen any movement toward reform in recent years and expect none in the next year. In fact, if recent events are any indication, the situation for investors could well become worse before it improves. End summary.

¶3. Preface: U.S. Investment Subject to Sanctions

On May 20, 1997, by Executive Order 13047, the President imposed economic sanctions prohibiting new investment by U.S. persons or entities in Burma (Myanmar). Those sanctions were based on the President's determination that the Government of Burma (GOB) has committed large-scale repression of the democratic opposition. The Cohen-Feinstein Amendment to the Foreign Operations Act of 1997 formed the legal basis for the investment ban. The U.S. government every six months reviews sanctions policy. Since sanctions were imposed in 1997, the State Department has found no measurable progress toward political liberalization in Burma.

Prior to the imposition of sanctions, a number of high-profile U.S. investors had already withdrawn from Burma. An active anti-Burma consumer movement in the U.S. caused investing in Burma to be high risk in terms of corporate image. The federal investment sanctions ban new investment but allow companies already invested in Burma to remain.

The 1997 ban on new investment is in addition to a number of sanctions the U.S. imposed against Burma following the military crackdown against civilian democracy activists in 1988 and the failed election of 1990. The U.S. opposes the extension of international financial assistance to Burma, prohibits military sales, suspended economic aid and commercial assistance programs, banned the issuance of U.S. visas to members of the military, political, and economic elite, and downgraded our representation in Rangoon from Ambassador to Charge. In addition, the U.S. continues to engage in a vigorous diplomatic effort to promote political

and human rights reforms.

Since the early 1990's U.S. commercial policy toward Burma had been neither to encourage nor to discourage trade or investment. With the 1997 investment ban, that policy was revised to prohibit new investment.

¶4. Openness to Foreign Investment

With a view to attracting foreign investment, the Burmese government instituted the Foreign Investment Law (FIL) on November 30, 1988. The basic priorities of foreign investment, according to the FIL, are as follows:

(a) Promotion and expansion of exports;
(b) Exploitation of natural resources that require heavy investment;
(c) Acquisition of high technology;
(d) Support for production and services requiring large amount of capital;
(e) Expansion of Employment opportunities;
(f) Development of facilities that would reduce energy consumption; and,
(g) Regional development.

According to the State-owned Economic Enterprises Law, enacted in March 1989, the Government state-owned enterprises have the sole right to carry out the following economic activities:

(a) Extraction of teak and sale of the same in the country and abroad;
(b) Cultivation and conservation of forest plantations with the exception of village-owned firewood plantations cultivated by the villagers for their personal use;
(c) Exploration, extraction, sale, and production of petroleum and natural gas;
(d) Exploration, extraction, and export of pearls, jade and precious stones;
(e) Breeding and production of fish and prawns in fisheries which have been reserved for research by the Government;
(f) Postal and telecommunications services;
(g) Air transport and railway transport services;
(h) Banking and insurance services;
(i) Broadcasting and television services;
(j) Exploration, extraction, and exports of metals;
(k) Electricity generating services other than those permitted by law to private and cooperative electricity generating services; and,
(l) Manufacturing of products relating to security and defense.

However, the law provides that the Myanmar Investment Commission (MIC) may, "in the interest of the State," make exceptions. Exceptions have been made in areas such as banks (though not for foreign investors), petroleum and natural gas extraction, and air services. This discretion, though, like most else resides in the hands of the cabinet and senior generals.

According to the FIL, the MIC must review all investment, either foreign or domestic. However, due to corruption within the MIC, the ruling State Peace and Development Council (SPDC) removed much of the MIC,s real influence at the end of 1999. Potential investors must still work through the MIC, but it has lost the authority to make a decision. Interested foreign companies still approach and submit proposals through the MIC, which in turn gets approval from either the Cabinet (chaired by SPDC Chairman and Prime Minister Senior General Than Shwe) or the Trade Policy Council (TPC, chaired by SPDC Vice Senior General Maung Aye). The Cabinet and the TPC have the same membership so the choice of decision-making body is made on a case-by-case basis. Though MIC has no power or authority to protect foreign companies, we have no evidence of overt discrimination against foreign investors.
Once the government grants permission to invest, a foreign company must get a "Permit to Trade" (essentially a business license) from the Ministry of National Planning and Economic Development's Directorate of Investment and Companies Administration (DICA). In a typical "Catch 22" that has for all intents and purposes closed Burma to most new foreign investment, since February 2002 the government is no longer permitting DICA to issue new permits or renew existing ones for foreign firms. This decision has disrupted the business of many foreign investors, and forced closure of several foreign manufacturing firms.

In theory once a company has the "Permit to Trade" it may then use it to get residence visa status, lease cars and real estate, etc., and to get import and export licenses from the Ministry of Commerce. The Ministry of Commerce has had a policy in place since the end of 2001, though there is nothing in writing, to only issue import licenses to those firms who are export earners.

The existing foreign investment law and its procedures are positive for investors on paper. However, in practice, it is very difficult to make the system work properly due to poor transparency and corruption all along the line. The senior generals making the decisions do not seriously consider the law when they want to take action for or against investors.

The FIL allows for FDI as a wholly foreign-owned venture or a joint venture with any Burmese partner (individual, private company, or state-owned company). Sole proprietorships or partnerships are equally acceptable. Overall, the FIL requires that at least 35 percent of equity capital in all JVs and partnerships be foreign-owned. Officially, the minimum foreign investment is $500,000 for manufacturing investments and $300,000 for services.

The military, via the military economic enterprises, the Union of Myanmar Economic Holdings, Ltd. (UMEHL) and the Myanmar Economic Corporation (MEC), is involved in many economic activities. To set up a joint venture, foreign firms have reported that it is useful to be affiliated with MEHL or MEC in order to receive the proper business permits. Nonetheless, entering into business with MEHL or MEC does not guarantee success for the foreign partner, and some foreign investors report that their military partners are parasitic, making unreasonable demands, providing no cost-sharing, and sometimes muscling out the foreign investor after an investment is up and running.

¶5. Conversion and Transfer Policies

According to the Foreign Investment Law, investors in Burma have a guarantee that they can repatriate profits (after taxes). The law also provides that, upon expiry of the term of the contract, the investor of foreign capital has the right to the foreign currency in which the investment was made. However, due to the shortage of foreign exchange it is in reality not easy for foreign investors to legally transfer their net profits abroad. Foreign currency can be transferred abroad only after obtaining permission from the Foreign Exchange Management Department of the Central Bank of Myanmar.

Likewise, multiple exchange rates in Burma make conversion and repatriation of foreign exchange very complex and ripe for corruption. The official rate of 6 kyat to the dollar is grossly overvalued. The government issues Foreign Exchange Certificates (FEC) that trade somewhat closer to the market rate but are still overvalued. Generally speaking, foreign companies get rid of kyat earnings as quickly as possible -- usually by purchasing FEC or dollars at some variant of the market rate. The government has allowed foreign companies to use dollars or FEC to pay utility and telephone bills, and rental charges. It has also allowed foreign firms to deposit dollars in a state bank for withdrawal as FEC by the company's employees.
In Burma, only three state banks, the Myanma Economic Bank (MEB), the Myanma Investment and Commercial Bank (MICB), and the Myanma Foreign Trade Bank (MFTB) are allowed to deal with foreign exchange transactions. In practice the MFTB and MICB handle most of these transactions. The MFTB mainly handles foreign currency transactions of government organizations, businesses, and individuals, and the MICB caters primarily to companies and joint ventures. MEB handles foreign currency transactions in border trade regions.

Because most of Burma,s international trade is done in U.S. dollars, the restrictions on provisions of financial services by U.S. banks will cause serious disruption to the legal foreign trading system. U.S. banks will no longer be able to offer trade facilitation or correspondent banking services, making the use of U.S. dollar letters of credit problematic.

As of July 29, 2003, the correspondent accounts of MEB, MFTB, and MICB in the United States are frozen, along with all other assets and property.

Private banks, despite assuming a large share of banking activity in the last several years, are not permitted to deal in foreign exchange. In February 2003 there was a major run on private banks, and as of now their future is uncertain. However, there is no indication that if the private banking system is revitalized it will be given the right to deal in foreign currency.

¶6. Expropriation and Compensation

The Burmese Foreign Investment Law provides guarantees against nationalization during the investment's "permitted period" of investment. However, a number of foreign firms in various sectors have been forced to leave the country when the terms and conditions of their investment agreements have not been honored. In recent years two large Japanese firms exited Burma after they found they were not able to operate as they had been led to believe. Additionally, there have been cases where the government has seized the assets of

foreign and local investors (without compensation), when the investment turned out to be very profitable.

The most recent example we know of is the case of a Swiss cement importer and distributor that was forced out ostensibly because it was not operating according to its permit. In reality, the government turned the company out, after significant investment in plant and equipment, because the investor was able to sell better quality, cheaper cement than its government-controlled competitors. In another case in 1999-2000, the military-owned MEC confiscated a large brewery that an expatriate Burmese businesswoman had made profitable. The local courts were not helpful and to date the investor has been unable to get compensation from the GOB.

¶7. Dispute Settlement

Private and foreign companies are at a disadvantage in disputes with government organizations. Arbitration is addressed under the 1944 Arbitration Act. Foreign investors generally prefer to use international arbitration, though the Burmese government will try to stipulate local arbitration in contracts it signs with foreign investors. If handled locally, difficulties arise since the central leadership controls the whole legal mechanism. The courts are not independent and cannot make free and fair decisions. There is no recourse available for companies who face an adverse administrative decision. Burma is not a member of the International Center for the Settlement of Investment Disputes nor is it a party to the New York Convention.

The legal system in Burma is ostensibly under the control of the Attorney General's Office and the Supreme Court. However, neither the Attorney General nor the Supreme Court is independent. Burmese criminal and civil laws are modeled on British law as practiced during the colonial period -- which ended in 1948. Every township, state, and division has its own law officers and judges. However, the township, state and divisional SPDC branches have supreme authority over judicial decisions at the local level.

There is no bankruptcy law in Burma.

Foreign companies have the right to bring cases, and defend themselves, in local courts. However, as the SPDC ruling junta controls all the courts, foreign investors who have had conflicts with the local government, or even had their business illegally expropriated, have had little luck getting compensation.

¶8. Performance Requirements and Incentives

Officially, companies covered under the Foreign Investment Law are entitled to a tax holiday period of three consecutive years. Under the law this tax holiday can be extended with permission of the Myanmar Investment Commission (MIC). Investors are also eligible, at the MIC,s discretion, for a number of other incentives including: accelerated depreciation of capital assets, a waiver of customs duties and taxes on imported machinery and spare parts during the period of construction, or on imported raw materials during the first three years of commercial production, etc. Again, the TPC and the Cabinet, not the MIC, make decisions on these incentives and extensions.

There are no official performance requirements for new foreign investors in Burma, but the government does require an investor purchase local machinery, fire, marine, and personal liability insurance. Unofficially, the government often requires companies to commit to a certain level of exports before being allowed to invest. The government then requires compliance reports every three months with evidence of export or explanation why the goals were not met. We have no evidence that action is taken against firms that do not meet their initial export targets.

There is no requirement that foreign investors buy or hire from local sources. Technology transfer is not generally a pre-requisite for investment.

According to Burmese law, any enterprise operating under the Foreign Investment Law or the Myanmar Companies Act must pay a 30 percent income tax rate. Withholding tax on royalties and interest is 15 percent for resident foreigners and 20 percent for non-resident foreigners. Tax collection in Burma is very lax, but foreign investors are an easy target for the cash-strapped tax authorities. The Burmese fiscal year ends March 31 and tax returns are due by June 30.

A surprising reversal of the government's mantra of "open door economy" came in a February 2002 verbal directive which outlawed the issuance of new, or renewal of existing, "Permits to Trade" for trading firms owned by foreigners (or by foreigners and Burmese). This was done ostensibly to promote local trading firms, but has served only to further distort the local marketplace. The authorities have not

published any official notice of this directive but it is being enforced, including against foreigners who have tried to evade the directive by listing their company under the name of a Burmese colleague or friend.

¶9. Right to Private Ownership and Establishment

By law, foreigners may not own land, and may only rent property on a short-term basis.

A private entity can establish, buy, sell, and own a business only with the review and approval of the MIC (and by proxy the top leadership).

¶10. Protection of Property Rights

Burma does not yet have adequate IPR protection. Patent, trademark, and copyright laws and regulations are all deficient. Thus Burma is unlikely to meet WTO TRIPS obligations in the near to medium term. After Burma joined ASEAN in 1997, it agreed to modernize its intellectual property laws in accordance with the ASEAN Framework Agreement on Intellectual Property Cooperation. However, an IPR law, first drafted in 1994, still awaits approval and implementation. A Patents and Design Act was introduced in 1946, but never brought into force. Thus the Indian Patents and Designs Act of 1911, which was enacted under British colonial rule, continues to govern the registration of patents and designs.

Piracy of music CDs, video CDs, CD-ROMS, DVDs, books, software, and designs is evident nationwide, especially in the two major urban centers of Mandalay and Rangoon. However, given the small number of customers (most Burmese are too poor), and the lack of adequate infrastructure (e.g., reliable electricity), we do not believe piracy has a significant adverse impact on U.S. products, which, are in any case, not readily available. There is little evidence of widespread use of pirated software and hardware by government agencies, though the nascent computer and IT sector often relies on pirated software for training courses and other uses.

Burma has no trademark law, though trademark registration is possible. Some firms place a trademark caution notice in the local newspaper, declaring ownership of their trademarks. Once this notice has been published, criminal and/or civil action can be taken against trademark infringers. Title to a trademark depends on use of the trademark in connection with goods sold in Burma. While a Copyright Act was promulgated in 1914, no means to register a copyright was ever instituted. There is thus no legal protection in Burma for foreign copyrights.

In the vast majority of cases, real estate is purchased with cash or using regular bank loans. However, there are a few banks that offer rudimentary mortgage facilities. Foreigners may not generally avail themselves of this, though, because they may not own land.

¶11. Transparency of the Regulatory System

Burma is notorious among foreign businesspeople for its complete lack of regulatory and legal transparency. All existing regulations, including those covering foreign investment, import-export procedures, licensing, foreign exchange, etc., are subject to change, with no advance notice, at the whim of the senior ruling generals. The economic decision-makers here are influenced strongly by wealthy cronies, the demands of state-owned enterprises, and of the military-controlled Myanmar Economic Corporation and the Myanmar Economic Holdings Ltd. The government also regularly issues new regulations with no notice and with no opportunity for review or comment by any non-governmental domestic or any foreign market participants. Furthermore, new regulations or regulatory changes are rarely published. Instead, they are communicated verbally to interested parties. If a new regulation or law is published it will appear in the government's mouthpiece newspaper, the New Light of Myanmar (Myanma A'Lin or in the Burma Gazette.

Burma's health, environmental, tax, and labor laws as written do not impose a major burden on investment. However, the protean nature of the regulatory and legal situation -- and the irregular enforcement of existing laws -- makes investment tricky without good, and well-connected, local legal advice.

¶12. Efficient Capital Markets and Portfolio Investment

Burma has no true equity or debt markets, and the notion of portfolio investment is not well understood by the average person. Burmese authorities have said in the past that the existence of capital markets is essential for the development of a well-functioning financial system. To this end, the Myanmar Economic Bank (MEB) and Japan's Daiwa Institute of

Research Co. Ltd. established a joint venture, the Myanma Security Exchange Centre Ltd., to set up a stock exchange. This exchange is in existence, though moribund, with only one listed company -- a forestry joint venture. A few companies have also begun to sell bonds privately and on a very small scale. Private companies, both foreign and domestically controlled, are generally small and thus their shares are closely held by a small number of people or entities -- often within a family. There is a securities law being drafted now, but no interested private parties have been allowed to see, or comment on, the draft.

A large bank run in February 2003, and the subsequent decision by the government to avoid bailouts, has effectively cut off the private banking system from the market. The state-owned and semi state-owned banks were not impacted by this crisis. Government instructions and internal bank policies have made it impossible for private banks to take in new deposits or loans, and weekly withdrawals are capped. Currently the private banks are in limbo, the government indecisive for now on whether to liquidate, actively restructure, or rescue the troubled institutions.

Foreign firms do not have access to bank loans since the banks require collateral of land or real estate, neither of which foreigners can own. Since mid-2002 the use of gold as collateral has been forbidden. Loans in kyat are available for local companies and individuals from state and, until February 2003, private banks. Interest rates are currently running about 15 percent per year with inflation about 3 times that. Because of these negative real interest rates, a lack of adequate supervision, and a shortage of banking experience the private banking system, even at its peak, was very unstable. Private banks engaged in reckless lending and suffered high levels of non-performing loans. Though statistics are not available, it is believed that public banks, forced to bankroll the regime's pet projects and personal needs, also have extremely large numbers of non-performing loans.

A 1990 banking law permitted foreign banks to open branches in Burma but not to conduct business in the local market. These offices may serve as a trade and commercial liaison for local and foreign clients. For a variety of reasons, including the Asian financial crisis of the late 1990s, the slow local business climate, and the lack of liberalization of the banking sector, most of the original 49 foreign banks have left Burma, or downgraded their representation, in the past five years. U.S. persons may not provide financial services to Burma.

Burma has no standard accounting system. International accounting firms in country, though they may offer only "consulting services," adhere to the General Accepted Accounting Principles (GAAP). We have heard that the Burmese government is trying to establish a separate Myanmar Accounting Principles (MAP) system, but this is still on the drawing board.

¶13. Political Violence

In May 2003, government-affiliated thugs ambushed a convoy carrying opposition leader Aung San Suu Kyi while she was traveling in northwest Burma. Dozens were killed or wounded during the attack. Two bombs went off in downtown Rangoon in early 2003. A small incendiary device exploded at a downtown pagoda in 1996, and Burmese authorities reportedly found other bomb devices in 1999 and 2000. The military government tightened security around the international airport in Rangoon after two RPG devices were discovered near the airport in early 2002.

Burma experienced major political unrest in 1988 when the military regime jailed and/or killed an undetermined number of Burmese democracy activists. In 1990, the military government refused to recognize the results of an election that the opposition won overwhelmingly. Burma experienced major student demonstrations in 1996, and demonstrations occurred in August and September of 1998. Popular unrest and violence continue to be possible.

For the last decade there has been sporadic anti-government insurgent activity in various locations, such as an attack on a natural gas pipeline in the Tanintharyi Division and bomb attacks against family members of senior military officials in Rangoon. Chin and Arakan States and the Thai-Burma border area in Burma's southern Shan, Mon, Karenni, and Karen States have been the scenes of occasional fighting between government forces and various insurgent groups. In February 2001, several people were killed and some tourists left stranded during shelling and cross-border gunfire in the town of Tachileik, Shan State. The Thai-Burma border is closed from time to time due to increased insurgent activity, most recently in 2002.

¶14. Corruption

Corruption is systemic in Burma and is considered by economists and businesspeople to be one of the most serious barriers to investment and doing business in Burma. Because of the Byzantine and capricious regulatory environment, rent-seeking activities are rampant and very little can be accomplished, from the micro to the macro, without paying "tea money." We think this problem will only get worse at all levels as inflation and the erosion of the kyat further impoverish government bureaucrats and as senior leaders seek additional income from a shrinking number of investment projects.

Corruption is a jailable offense in Burma, and has been since ¶1948. However, the anti-corruption statute is applied only when the senior generals want to take action against some official who has become an embarrassment. In all other cases corruption is considered a very normal practice -- indeed a requirement for survival. The major, though by no means only, areas where investors run into corruption are: when seeking investment permission, taxation, when applying for import and export licenses, and, when negotiating land and real estate leases.

¶15. Bilateral Investment Agreements

Burma has signed bilateral investment agreements, known as "Protection and Promotion of Investment" agreements with the Philippines, the PRC, and Vietnam. Except for increasing investment from the PRC, these agreements have had little impact on incoming investment from Vietnam or the Philippines.

¶16. OPIC and Other Insurance Programs

Due to U.S. law OPIC does not operate in Burma. Burma is not a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

¶17. Labor

In 1989, the United States withdrew Burma's eligibility for benefits under the generalized system of preferences (GSP) due to the absence of internationally recognized worker rights. Labor unions are illegal in Burma. Workers are unable to organize, negotiate, or in any other way exercise control over their working conditions. Although regulations set a minimum employment age and wage, and maximum work hours, these are not uniformly observed, especially in private factories and other establishments. The government uses forced adult labor in infrastructure construction and porterage for the military in active combat zones. These labor practices are not consistent with Burma's obligations under ILO Conventions 29 and 87, and thus explain why the ILO imposed sanctions against Burma in 2000. The United States strongly supported this decision.

Burma,s cost of labor is very low, even compared to some of its Southeast Asian neighbors. Burmese over the age of 40, and particularly those over 65, tend to be very well educated. However, a sad side effect of the repeated closing of Burmese universities over the past 15 years is that the current 15-30 year old demographic is sorely lacking in technical skills. Many Burmese, though, speak at least some level of English. Many educated Burmese studied English in mission schools during the British colonial and early independence period. After the nationalization of private and mission schools in 1964, the socialist government mandated English courses in school starting from the middle school. However, soon thereafter then-dictator General Ne Win ordered that English instruction begin in kindergarten after his daughter failed an English exam and was rejected for studies in the U.K.

The government does not publish unemployment figures. However, anecdotal evidence and the recent divestment by many foreign companies, support the assumption of a very high level of unemployed and underemployed in non-agricultural sectors. An average factory worker in Burma will make about 500-800 kyat per day.

¶18. Foreign Trade Zones/Free Ports

The government has set aside as "industrial zones" large tracts of land surrounding Rangoon and Mandalay. However, these zones are merely zoned for industry and do not come with any investment incentives.

There are no free trade zones in Burma.

¶19. Foreign Direct Investment Statistics

Note: Investment figures published by the GOB include only investment approved by the Myanmar Investment Commission (MIC). These figures do not include investments not submitted for MIC approval, such as a myriad of small and medium Chinese projects.

According to government figures at the end of March 2003, cumulative foreign investment approved by the MIC totaled 371 projects, valued at US$7.5 billion. This amount is 1.2 percent higher than the cumulative total listed at the end of March 2002. However, it should be noted that this cumulative number does not factor in subsequent divestment, or investment that was approved but that did not actually enter the country.

Extrapolating from the latest government statistics on FDI flow for the Burmese FY 2002-03 (April-March), we estimate a 357 percent year-on-year increase in new FDI approvals ($86.95 million) in 4 sectors compared with total new investment approvals in FY 2001-02 ($19.002 million). The new investments came from Malaysia ($44 million in oil and gas and $18.25 million in fishery), Hong Kong ($12.88 million in manufacturing), Singapore ($6.1 million in fishery), Switzerland ($3.38 million in mining), Brunei ($2.04 million in fishery) and Korea ($0.3 million in manufacturing).

Despite the hangover from the Asian financial crisis, the trickle of approved new investment since 1997 has come almost exclusively from Asian countries. Malaysia, Singapore, Switzerland, and Korea registered new investment in Burma in FY 2002-03. Western countries have largely stayed away from the Burma market. U.S. investment has been zero since 1997 when the U.S. government imposed an investment ban.

In stock terms, the United States is the fifth largest foreign investor in Burma with 16 projects totaling US$582 million. U.S. investment approved prior to May 1997, which was grandfathered under the U.S. investment sanctions order, is largely centered in oil and natural gas exploration. The small number of other U.S. firms in Burma is involved primarily in tourism, management, consulting, and trading. While Malaysia is ranked 4th in FDI stock, it was 1st in new FDI agreements in 2002-03 (according to Burmese government statistics). These official statistics do not take into consideration considerable new investment, some of it state-financed, from the PRC.

Major non-U.S. foreign investors in Burma are: Petronas (Malaysia), Total (France), Ivanhoe Mines (Canada), PTT, Plc. (Thailand), Shin Satellite (Thailand), Keppel Land (Singapore), China National Construction and Agricultural Machinery Import and Export Co. (PRC), and the China International Trust and Investment Corporation (PRC).

So far there is no concrete evidence of large-scale investment abroad by Burmese companies. However, we believe that some wealthy Burmese individuals and small family businesses have made a few investments in neighboring ASEAN countries.

FOREIGN INVESTMENT OF PERMITTED ENTERPRISES AS OF 3/31/2003 BY SECTOR

(US$ million)

No.	Particulars	No.	Approved Amount	In percent of Total Approved Amount
¶1.	Oil and Gas	56	2,403.17	32.0
¶2.	Manufacturing	150	1,604.07	21.4
¶3.	Hotels and Tourism	43	1,059.66	14.1
¶4.	Real Estate	18	1,025.14	13.7
¶5.	Mining	52	526.74	7.0
¶6.	Livestock and Fisheries	23	309.76	4.1
¶7.	Transport and Communications	14	283.27	3.8
¶8.	Industrial Estates	3	193.11	2.6
¶9.	Construction	2	37.77	0.5
¶10.	Agriculture	4	34.35	0.5
¶11.	Other Services	6	23.69	0.3
	Total	371	7500.73	100.0

FOREIGN INVESTMENT OF PERMITTED ENTERPRISES AS OF 3/31/2003 BY COUNTRY

(US$ Million)

No.	Particulars	No.	Approved Amount
¶1.	Singapore	72	1,572.73
¶2.	U.K. (a)	37	1,404.01
¶3.	Thailand	49	1,290.20
¶4.	Malaysia	33	660.75
¶5.	U.S.A.	16	582.06
¶6.	France	3	470.37
¶7.	Indonesia	12	241.50
¶8.	The Netherlands	5	238.83
¶9.	Japan	23	212.57
¶10.	Hong Kong	29	162.72
¶11.	The Republic of Korea	32	156.41
¶12.	Philippines	2	146.67
¶13.	Australia	14	82.08

¶14.	Austria	2	72.50
¶15.	China	13	64.15
¶16.	Canada	16	59.78
¶17.	Panama	1	29.10
¶18.	Germany	1	15.00
¶19.	Denmark	1	13.37
¶20.	Cyprus	1	5.25
¶21.	India	1	4.50
¶22.	Macau	2	4.40
¶23.	Switzerland	1	3.38
¶24.	Bangladesh	2	2.96
¶25.	Israel	1	2.40
¶26.	Brunei Darussalam	1	2.04
¶27.	Sri Lanka	1	1.00
	Total	371	7500.73

(a) Inclusive of enterprises incorporated in British Virgin Islands, Bermuda, and the Cayman Islands.
McMullen